

HSBC Amanah Takaful Investment-Linked Funds

Annual funds performance for the year ended 31 December 2016



HSBC 
Amanah Takaful

HSBC Amanah Takaful was awarded the following by
Malaysian Takaful Association (MTA).

► **2011, 2012, 2013, 2014, 2015 & 2016 Best Takaful Operator**

Message from HSBC Amanah Takaful (Malaysia) Berhad

Dear Valued Participants,

2016 was undeniably a year of challenges, but with your steadfast and loyal support, HSBC Amanah Takaful (Malaysia) Berhad ("HSBC Amanah Takaful") managed to climb past hurdles and progress towards assisting you in achieving your goals.

HSBC Amanah Takaful remained no. 1 in rank with 45% market share for Single Contribution Investment-Linked segment. HSBC Amanah Takaful also was awarded *Best Takaful Operator - Bancatakaful Business* award at the Malaysian Takaful Association's Takaful Starnite 2017. During the year, HSBC Amanah Takaful expanded the investment choices of existing and new certificate holders with the launch of 2 new investment linked funds, HSBC Amanah Takaful's World Islamic Equity Fund (Global Equity) and HSBC Amanah Takaful's Islamic Sukuk Fund (local fixed income).

It is my pleasure to present to you the 2016 Annual Fund Performance Report. Thanks to the unwavering efforts of our team and the integrity of our range of products, HSBC Amanah Takaful saw more potentials that will take us further in 2017.

RAM Rating Services Bhd (RAM) expects Malaysia's takaful sector growth trajectory to remain higher than the conventional counterparts, underpinned by growth in the family takaful segment. The total family takaful contributions climbed 11.8% to RM7.8 billion while life insurance gross premiums rose 7.5%, breaching the RM40 billion mark. On another note, the general takaful gross contributions expanded at a slower rate of 4.7% to RM2.4 billion. Gross premiums in the general insurance segment increased marginally at 0.9% to RM17.2 billion due to weaker growth in the motor and fire lines of business.¹

Looking ahead, regulatory measures to promote greater operational efficiency and the increase of focus on direct commission-free distribution channels will help to address the protection gap in Malaysia and steer the sector towards the target penetration rate of 75%. Regulatory reforms are expected to support the industry's growth prospects, which remain favourable, despite some near-term moderation.¹

In 2017, it is our aim to see growth for all and to elevate our success from the previous year. Your trust in HSBC Amanah Takaful as your preferred Takaful operator is held to the highest regard, and we wish to thank you for making 2016 a year of accomplishment.

Yours sincerely,



Yahya Adnan Ahmad
Chief Executive Officer

¹ The Star Online: RAM Ratings sees stronger growth for takaful sector (31 March 2017)

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►3 HSBC Amanah LifeSelect Fixed Income Fund

Investment Objective

The Fund aims to achieve capital growth in the medium to long term by investing in a diversified portfolio of Shariah compliant collective investment schemes ("Target Funds") that invest primarily in Sukuk and any other permissible liquid assets under the Shariah principles.

Fees and Charges

Fund Management Fees – 1.00% per annum of the Fund's value.

(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review of Fixed Income Market (1 January 2016 to 31 December 2016)

Global bonds endured a volatile period, as investors were swamped by a slew of events, which took the market by surprise. For first half of the year in review, Treasuries strengthened on demand for safe haven assets following the rout in global equity markets and the slump in crude oil prices earlier in the year. Many central banks took the opportunity to ease policy, thus providing additional support to sovereign bonds. After sliding to an all-time low of 1.37% in the Brexit (British exit), referring to the UK's decision in the 23 June 2016 referendum to leave the European Union (EU) aftermath, the 10-year yields were on a steady uptrend in the second half of the year amid strong US data releases and concerns about the longevity of central bank accommodation. Trump's surprise victory in the US presidential election and a republican sweep of the White House and Congress fuelled a global bond selloff in November. Yields surged on heightened inflation expectations as investors priced in the President elect's pro-growth agenda. Interest rates continue to edge higher amid orderly trading following the US Federal Reserve (Fed)'s decision to raise the target federal funds rate by 25bps from a range of 0.25%-0.50% to 0.50%-0.75% in December 2016.

Locally, government bonds strengthened in the first half of the financial year as risk appetites and investor demand for yield remained robust, leading to healthy emerging market fund flows. The rally was sustained by domestic monetary measures by Bank Negara Malaysia (BNM), which included a 50bps cut in statutory reserve ratio in January followed by a 25bps Overnight Policy Rate (OPR) cut in July. At the peak of the rally, the 10-year Malaysia Government Securities (MGS) was seen trading to a low of 3.50%. Aside from MGS, Government Investment Issues (GII) was also in the limelight after the announcement of the planned inclusion to the JP Morgan Bond Indices from end-October.

Thereafter, the local bond market suffered heavy losses alongside the global bond rout and the Ringgit weakening to 4.46 levels against the Dollar. Foreign led selling was seen across the MGS curve with yields surging by as much as 100bps at the peak of the selloff. The post-US election surge in bond yields was primarily driven by concerns of fiscal led inflation and expectations of a Fed rate hiking cycle to begin in December. Elsewhere the economy staged a surprised 4.50% year-on-year growth in 4Q, outpacing the 4.30% expansion in 3Q. The quicker than expected growth and Ringgit volatility reduced the scope for further monetary easing measures. BNM left the OPR unchanged at 3% at the final Monetary Policy Committee (MPC) meeting of the year citing steady growth prospects and stable inflation. Over the period, yields ended higher with the 3-year MGS increasing by 13bps while the 10-year yields increased by a lesser extent of 8bps to 4.27%.

Investment Strategy Review of HSBC Amanah LifeSelect Fixed Income Fund (1 January 2016 to 31 December 2016)

During the year under review, HSBC Amanah LifeSelect Fixed Income Fund registered a return of 3.94%, compared with its benchmark of 3.31%.

As a Fund of Funds, the Fund invests up to 100% of its net asset value (NAV) in the following Target Funds:

1. Pacific Dana Murni; and
2. Affin Hwang Aiiman Income Plus Fund

► 4 HSBC Amanah LifeSelect Fixed Income Fund (continued)

1. Target Fund: Pacific Dana Murni

The Target Fund focused on duration lengthening strategies and portfolio yield enhancement in the first half of 2016 as stabilising commodity prices along with low global yields provided a supportive environment for relatively longer duration exposures. Additionally, the Target Fund initiated trading positions in government guaranteed and quasi-government in anticipation of an OPR cut in second half of 2016. Bond investments benefited from higher price valuations following the decline in interest rates during the period. However, aggressive reinvestments and duration extension were capped by liquidity requirements.

Thereafter, the Target Fund sought active allocation of cash exposures to manage the overall duration given key event risks towards year-end. The Target Fund maintained an average duration of 4.00 years as a defensive hedge against the global bond market sell-down in November while keeping allocations within the 88-90% range.

Over the period, key overweight in AA credits position. The fundamentals of underlying corporate credits remain robust during the period, which contributed to the portfolio's stable rating trend.

Asset Allocation of Target Fund – Pacific Dana Murni (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	1.42%
Islamic Money Market Instruments	9.06%
Unquoted Sukuk	89.52%

2. Target Fund: Affin Hwang Aiiman Income Plus Fund

As at 31 December 2016, the Target Fund exposure stood at 86.8%, with the balance in cash and cash equivalents. The Target Fund had started to raise cash in September due to the heightening of uncertainties stemming from the US Presidential Election. As such, the Target Fund had managed to weather through the global bond market sell down after the surprise Trump triumph in the US Presidential Election.

The Target Fund will be looking out for opportunities to add exposure in Sukuk given the attractive yields after the sell down. Focus will remain on quality issuances. The Target Fund expects the pipeline of new issuances to be healthy given robust number of infrastructure projects lined up.

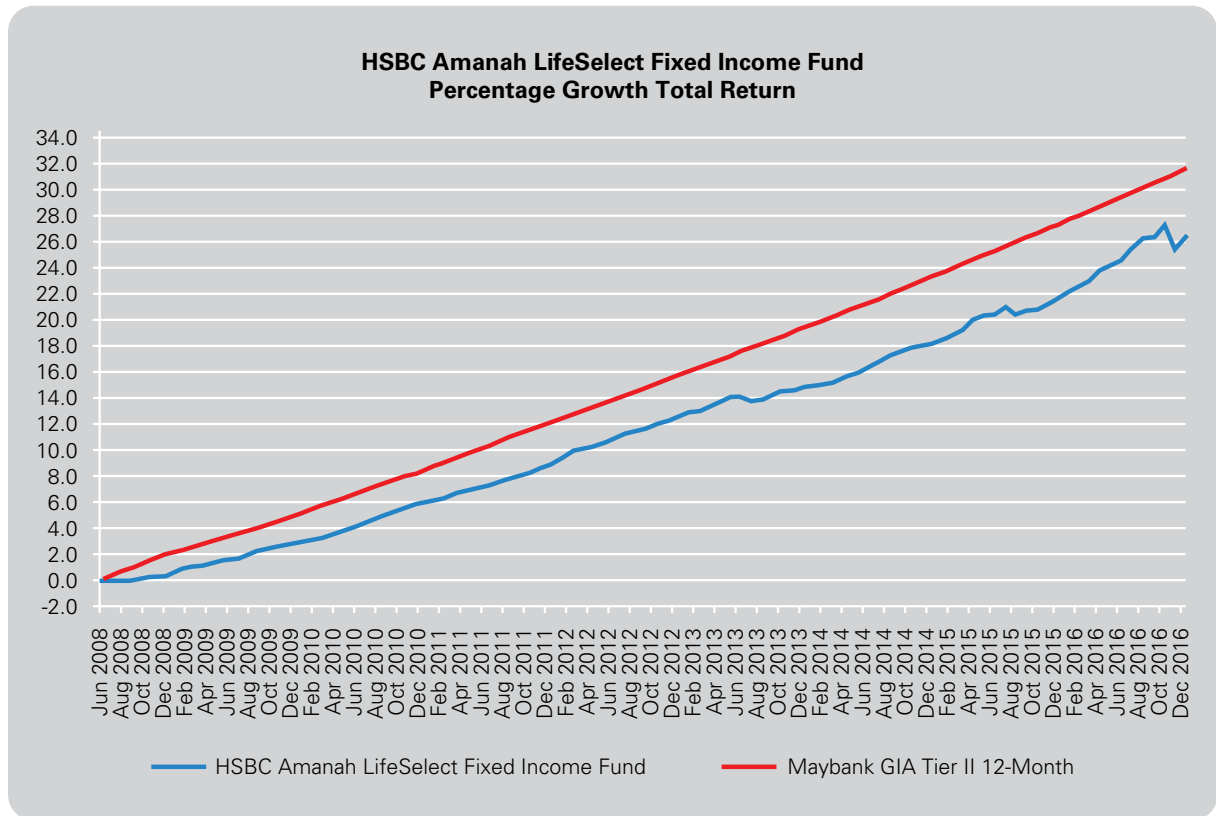
However, the Target Fund will be maintaining a tactically cautious view on the market given the on-going uncertainties that continue to swirl around global financial market.

Asset Allocation of Target Fund – Affin Hwang Aiiman Income Plus Fund (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Market Instruments	13.20%
Unquoted Sukuk	86.80%

► 5 HSBC Amanah LifeSelect Fixed Income Fund (continued)

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. With effect from 2 February 2016, HSBC Amanah LifeSelect Fixed Income Fund has been adopting the fund of funds structure moving away from the feeder fund structure. This fund of funds invests in an additional new Target Fund, as prescribed below:

Target Funds	Existing/New Target Funds
1. Pacific Dana Murni	Existing
2. Affin Hwang Aiiman Income Plus Fund	New Target Fund

There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same options and features. The fund management fees remain the same. All expenses associated with this transition was borne by HSBC Amanah Takaful (Malaysia) Berhad (HAT).

2. No income distribution proposed and/or made during the year.

► 6 HSBC Amanah LifeSelect Fixed Income Fund (continued)

Performance Table

HSBC Amanah LifeSelect Fixed Income Fund	2016**	2015	2014	2013*	2012
Total NAV (MYR'000)	111,930	114,127	118,297	107,903	94,776
Units in Circulation	89,162	94,339	100,567	94,540	84,648
NAV per Unit (MYR)	1.255	1.210	1.176	1.141	1.120
Highest NAV per unit (MYR)	1.274	1.217	1.182	1.149	1.126
Lowest NAV per unit (MYR)	1.217	1.182	1.150	1.126	1.089
Annual Return	3.94%	2.94%	2.90%	2.03%	4.63%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah LifeSelect Fixed Income Fund	1.49%	3.94%	10.10%	16.14%	26.46%
Benchmark (Maybank GIA Tier II 12-Month)	1.65%	3.31%	10.18%	17.35%	31.60%

* With effect from 28 June 2013, The Fund was invested in Pacific Dana Murni, and the benchmark was changed from Malaysia 3 year GII Index to the Maybank GIA Tier II 12-Month Rate.

** With effect from 2 February 2016, The Fund was invested in Pacific Dana Murni and Affin Hwang Aiiiman Income Plus Fund.

►7 HSBC Amanah LifeSelect Equity Fund

Investment Objective

The Fund aims to achieve capital growth in the medium to long term by investing in Shariah compliant collective investment schemes ("Target Funds") which invest in Shariah compliant equities and equity related securities.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value.

(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review of Fixed Income Market (1 January 2016 to 31 December 2016)

It had been a difficult year for the local bourse during the period under review as setbacks came from the largely slowing economy and external political and policy events causing swings in financial and currency markets, impacting activities in the real economy. At the global level, the two defining events of 2016 were the UK's Brexit (British exit), referring to the UK's decision in 23 June 2016 referendum to leave the European Union (EU) which signalled an embracement of inward-looking policies and Mr. Donald Trump's unexpected victory in the November 2016 US Presidential Election which presents an uncertain road ahead for the world in terms of US economic and foreign policy. The FTSE Bursa Malaysia KLCI (FBM KLCI) ended the year with a 3% loss, the third consecutive year it finished lower.

Recapping the events in 2016, the local bourse went through a sharp downturn in January as it was caught in a global sell-off amidst the sharp correction in Chinese onshore markets, increased uncertainty over Chinese Yuan (CNY) policy, lower oil prices and heightened US growth concerns. Subsequently, net foreign flows turning positive at end-January helped the market recover some lost ground but the mood was predominantly cautious on the back of global growth concerns, wild swings in oil prices, a lackluster reporting season in February and continued uncertainty on the timing of US Federal Reserve (Fed) rate hikes. A sharp fall in the ringgit and weakness in PETRONAS-related stocks in May also took a toll on the local market. Although some reprieve came from firmer crude oil prices, selling pressure continued amidst news that US index provider MSCI would reduce Malaysia's weight in its emerging market indices at end May, and the ringgit's correction coupled with a poor reporting season. In June, the local bourse was caught in the sell-off that followed UK's vote to leave the EU, but rebounded partially soon after in tandem with global markets and amid local buying support.

Positive reaction to Bank Negara Malaysia's unexpected 25bp cut in Overnight Policy Rate (OPR) to a 2-year low of 3.0% in July was quickly offset by selling pressure on banking stocks as lower interest rates were expected to erode banks' net interest margins and profitability. Furthermore, the Fitch Ratings cut of several government-linked companies' credit rating scores weighed on the local market. In September, sliding oil prices weighed on the market with sentiment staying muted as investors awaited policy decisions from key central banks. Positive sentiment from an Organization of the Petroleum Exporting Countries (OPEC) informal meeting to limit crude output, the first time in eight years, spilled over to the local bourse at the end of September. In tandem with other markets, the local bourse was jittery in the run-up to the US presidential election on 8 November. It performed poorly post the election with the ringgit plunging 6% month-on month in November and Malaysia's 10-year Malaysia Government Securities (MGS) yield spiking up 75bps to 4.35%, in line with the spike in US bond yields. The latter was due to expectations that Mr. Trump would implement fiscal stimulus and other policies that would drive up both inflation and bond yields. In December, Bank Negara announced several measures to enhance onshore foreign exchange liquidity effective 5 December 2016. These measures were seen as a pre-emptive move to stabilise the ringgit and support financial stability amid potentially further strengthening of the USD. Nevertheless, despite improving oil prices, stabilising ringgit, falling 10-year MGS yield and potential year-end window dressing activities, the FBM KLCI failed to make much headway due to tepid buying interest.

► 8 HSBC Amanah LifeSelect Equity Fund (continued)

Investment Strategy Review of HSBC Amanah LifeSelect Equity Fund (1 January 2016 to 31 December 2016)

During the year under review, HSBC Amanah LifeSelect Equity Fund registered a return of -2.34%, compared with its benchmark of -5.98%.

As a Fund of Funds, the Fund invests up to 100% of its net asset value (NAV) in the following Target Funds:

1. Pacific Dana Aman; and
2. Affin Hwang Aiiman Growth Fund

1. Target Fund: Pacific Dana Aman

In January 2016, the local bourse was hit by a global sell-off fuelled by concerns over Chinese and US growth, lower oil prices and Chinese Yuan (CNY) devaluation. The market continued to see weakness into February due to a lackluster reporting season. The Target Fund took the opportunity to buy stocks with strong fundamentals which had been beaten down indiscriminately due to poor earnings funded by relatively overvalued stocks. In late April and May, weak oil prices, placement overhang and concerns over Brexit sparked foreign selling. As beaten down stocks recovered in June the Target Fund took profit ending 1H16 at 83.1% equity exposure.

2H2016 started with a sell down in oil as supply came back to the market after fires cut Canadian oil sand production. Markets rallied during the latter part of July and through August, as fears over Brexit were digested and on expectations that central banks across the world would ease monetary policy. The Target Fund took profit in August, especially stocks with earnings risk, ending August with a conservative equity allocation. In September, the Target Fund brought into exporters where value had emerged, with a view that the currency would weaken ahead of the US presidential elections in early November. In November, Trump's surprise victory fuelled a sell-off of emerging markets and currencies. The Target Fund bought into the subsequent weakness, focusing on value stocks with catalysts which had been beaten down.

Going forward, the Target Fund will maintain a defensive position and selective undervalued names in the mid to small-cap space that have company specific catalysts.

Asset Allocation of Target Fund – Pacific Dana Aman (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	5.02%
Islamic Money Market Instruments	9.29%
Quoted Shariah-Compliant Equities	85.69%

2. Target Fund: Affin Hwang Aiiman Growth Fund

The Target Fund increased the Fund's equity exposure to 85.7% towards the end of the year on the back of more attractive valuation levels, and improved global market sentiment. However, the Target Fund will be taking on a more tactically cautious stance, focusing on managing the risk / return as uncertainties from the global front remain unresolved.

Exposure will remain tilted towards the larger cap names, as we look out for opportunities to participate in laggards that see a potential for a turnaround.

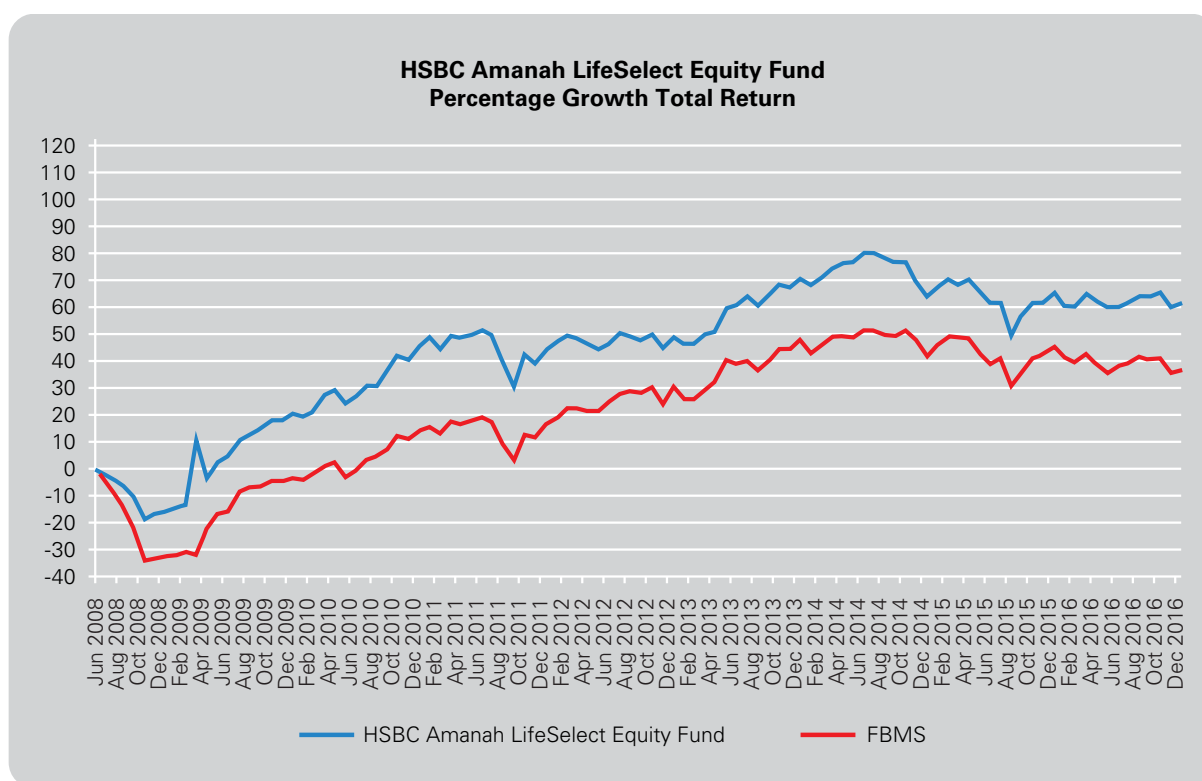
The Target Fund still believes that there are investment opportunities in the market given the stable domestic demand. As such, the Target Fund will be looking out for opportunities to increase exposure further into names that they hold high conviction in.

► 9 HSBC Amanah LifeSelect Equity Fund (continued)

Asset Allocation of Target Fund – Affin Hwang Aiiman Growth Fund (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Cash & cash equivalent	14.30%
Quoted Shariah-Compliant Equities	85.70%

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. With effect from 2 February 2016, HSBC Amanah LifeSelect Fixed Income Fund has been adopting the fund of funds structure moving away from the feeder fund structure. This fund of funds invests in an additional new Target Fund, as prescribed below:

Target Funds	Existing/New Target Funds
1. Pacific Dana Aman	Existing
2. Affin Hwang Aiiman Growth Fund	New Target Fund

There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same options and features. The fund management fees remain the same. All expenses associated with this transition was borne by HSBC Amanah Takaful (Malaysia) Berhad (HAT).

2. No income distribution proposed and/or made during the year.

► 10 HSBC Amanah LifeSelect Equity Fund (continued)

Performance Table

HSBC Amanah LifeSelect Equity Fund	2016**	2015	2014	2013*	2012
Total NAV (MYR'000)	157,301	165,753	156,079	144,565	118,207
Units in Circulation	97,580	100,391	95,409	85,151	79,836
NAV per Unit (MYR)	1.612	1.651	1.636	1.698	1.481
Highest NAV per unit (MYR)	1.669	1.726	1.819	1.707	1.531
Lowest NAV per unit (MYR)	1.573	1.452	1.559	1.453	1.178
Annual Return	-2.34%	0.89%	-3.86%	14.48%	5.00%

Cumulative Total Returns	6 Months	1 Year	3 Years	5 Years	Since Inception
HSBC Amanah LifeSelect Equity Fund	0.79%	-2.34%	-5.28%	12.29%	61.38%
Benchmark (FBMS)	-0.73%	-5.98%	-7.32%	17.27%	36.77%

* With effect from 28 November 2013, The Fund was invested in Pacific Dana Aman, and the benchmark was changed to composite benchmark of 95% FTSE Bursa Malaysia EMAS Shariah Index (FBMS) and 5% 3-Month Islamic Interbank Money Market (IIMM) Rate.

** With effect from 2 February 2016, The Fund was invested in Pacific Dana Aman and Affin Hwang Aiman Growth Fund. The benchmark was changed from composite benchmark of 95% FTSE Bursa Malaysia EMAS Shariah Index (FBMS) and 5% 3-Month Islamic Interbank Money Market (IIMM) Rate to FTSE Bursa Malaysia EMAS Shariah Index (FBMS).

► 11 HSBC Amanah Takaful's Dana Dividen Fund

Investment Objective

The Fund aims to achieve appreciation in medium to long term by investing in Pacific Dana Aman ("Target Fund") a Shariah compliant collective investment scheme that invests primarily in a portfolio of Shariah compliant Malaysia and foreign equity securities that have the track record of paying or have the potential to pay consistent and attractive dividends.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value.
(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review of Global Equity Markets (1 January 2016 to 31 December 2016)

Markets started the period on a sour note amid the strengthening USD, which sparked a selloff in energy and materials shares. This was exacerbated by the sharp correction in Chinese onshore markets, increased uncertainty over Yuan policy, lower oil prices and heightened US growth concerns. Global markets only recovered in March, as risk-on sentiment gained traction following gains in oil and commodities prices coupled with dovish signals from the US Federal Reserve (Fed). However, profit taking set in thereafter on lower than expected policy accommodation by the Bank of Japan, disappointing Chinese manufacturing data and the downgrade in Eurozone growth forecasts.

Heading into June, overall sentiment remained cautious ahead of the US Federal Open Market Committee (FOMC) meeting on 14-15 June and the Brexit (British Exit), referring to the UK's decision in the 23 June 2016 referendum to leave the European Union (EU). The US Federal Reserve left rates unchanged at its meeting, leading to extended losses in the USD and a surge in gold prices beyond the key psychological level of USD1,300/ounce. Subsequently, UK surprised the world by voting to leave the European Union (EU), which shocked global markets, wiping out USD2.1 trillion in global equities. Markets rebounded soon thereafter, amid optimism that policy makers would act to limit the fallout from UK's exodus from the EU.

In the second half of 2016, the dampened sentiment from the lack of action by the Japanese Central Bank in August was offset by Organization of the Petroleum Exporting Countries (OPEC) countries making an informal agreement to limit oil production, which fuelled a rebound in oil prices. However, market gains were limited by concerns over systemic risk from Deutsche Bank after a USD14 billion fine was imposed by the US Department of Justice.

In October, the market continued to be volatile in light of the upcoming US presidential elections. When Donald Trump unexpectedly won the US presidential elections, US markets experienced a brief sell-down but rebounded quickly with the US Dow Jones Index rallying for seven consecutive weeks. Emerging markets were hit by capital outflows fuelled by rising US bond yields and concerns that external trade could potentially be impacted by Trump's protectionist stance. Trump's victory also triggered a repositioning of risk appetites across asset classes, with a sell-off in bond markets pushing up bond yields across markets.

Looking ahead, 2017 is expected to be another volatile year for the global markets, given uncertainty in President Trump's economic policies, political risk in Europe with Brexit negotiation and general elections in Netherlands, France and Germany. The regional and domestic markets look more promising, provided China maintains a fine balance between economic growth and financial reform, and the ringgit remains stable despite elevated foreign shareholding in domestic bonds.

► 12 HSBC Amanah Takaful's Dana Dividen Fund (continued)

Investment Strategy Review of Pacific Dana Dividen, the Target Fund of HSBC Amanah Takaful's Dana Dividen (1 January 2016 to 31 December 2016)

For the year under review, the HSBC Amanah Takaful Dana Dividen registered a return of 2.50%, compared with its benchmark of 1.12%.

During the market weakness in early 2016, the Target Fund turned defensive by cutting its equity exposure and shifting more investments back to the domestic market in January. Subsequently, additional easing measures and dovish tone from major central banks, as well as the concrete reform plans set up by China's National Party Congress boosted investor sentiment. A global rally followed, but the Target Fund turned net seller in local equities post the re-emergence of 1MDB issue, and reduced equity exposure in the Target Fund ahead of the surprising Brexit vote in UK, which rattled global markets.

In July, a liquidity driven rally followed, as investors pushed back the expectation of US interest rate hike in view of the negative impact to global economy from Brexit. Equity exposure was again reduced in October post the hawkish comment from the Fed and disappointment in easing policies from Europe and Japan. Global markets saw significant divergence led by massive portfolio rebalancing following the surprising Trump win in the US presidential election. Wall Street hit all-time highs whereas emerging market assets came under heavy selling pressure. The Target Fund took profit on its US and Europe exposure, and switched into laggard markets such as China/Hong Kong and Malaysia given attractive valuations and stabilization in the currencies.

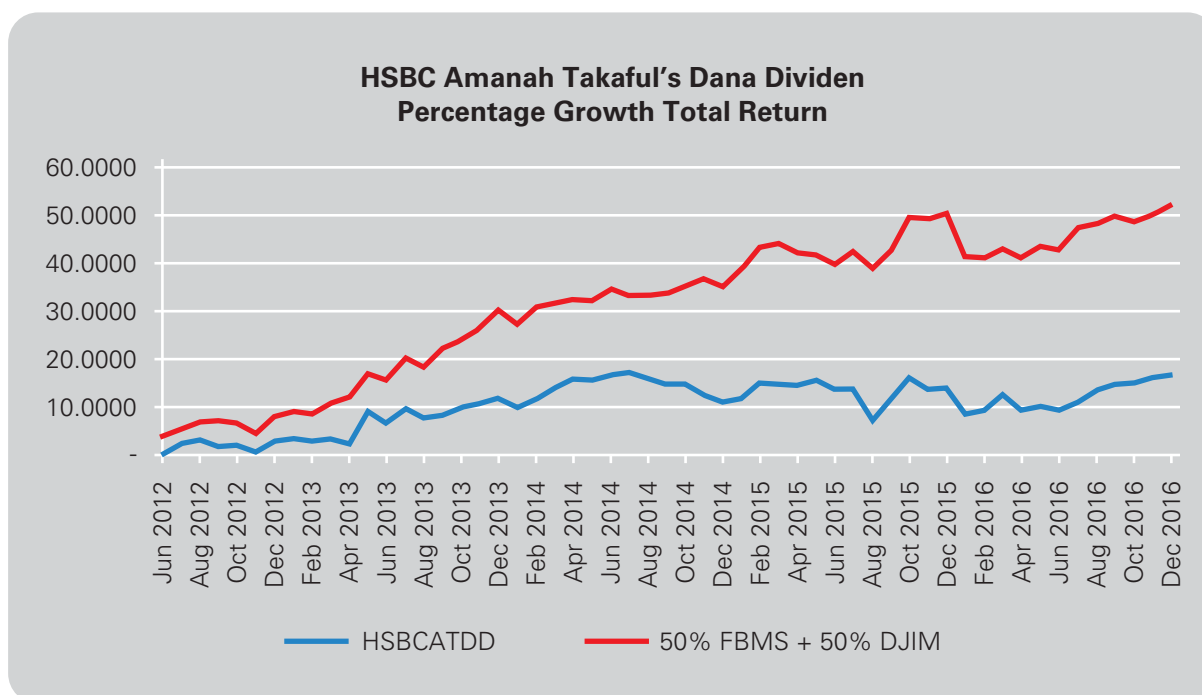
The Target Fund will adopt an overall defensive strategy, and look for tactical investment opportunities.

Asset Allocation of Target Fund – Pacific Dana Dividen (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Shariah Compliant Collective Investment Schemes	2.73%
Islamic Money Market Instruments	15.93%
Quoted Shariah-Compliant Equities	81.34%

► 13 HSBC Amanah Takaful's Dana Dividen Fund (continued)

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. There is no income distribution made and proposed during the year.

Performance Table

HSBC Amanah Takaful Dana Dividen	2016	2015	2014	2013	2012*
Total NAV (MYR'000)	22,913	22,089	16,349	11,224	4,376
Units in Circulation	19,652	19,405	14,783	10,047	4,261
NAV per Unit (MYR)	1.166	1.138	1.106	1.117	1.027
Highest NAV per unit (MYR)	1.174	1.167	1.179	1.117	1.033
Lowest NAV per unit (MYR)	1.072	1.032	1.059	1.0.14	0.991
Annual Return	2.50%	2.72%	-0.88%	8.68%	3.90%

Cumulative Total Returns	6 Months	1 Year	3 Years	Since Inception
HSBC Amanah Takaful Dana Dividen	6.77%	2.50%	4.36%	16.64%
Benchmark (50% FBMS + 50% DJIM)	6.39%	1.12%	16.63%	51.91%

* The Fund was launched on 31 May 2012. The investment return of The Fund and the benchmark for year 2012 was calculated from that date.

► 14 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund

Investment Objective

The Fund aims to achieve long term capital appreciation by investing in the CIMB Islamic Asia Pacific Equity Fund ("Target Fund"), a Shariah compliant collective investment scheme that invests in the emerging and developed markets of Asia Pacific ex Japan.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value.

(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review for Asia Pacific ex-Japan (1 January 2016 to 31 December 2016)

Asian markets went through a sharp correction and bottomed in the month of January 2016 after the introduction of circuit breakers in China accelerated the selling from the first day of the year. This led to new fears of capital controls in China. Asian markets began rallying from February 2016 as sentiment towards China recovered on stimulus expectations. Helped by acceleration in China's credit growth and the Fed's accommodative stance, Asian markets underwent a strong 'risk-on' rally in March 2016, which also saw commodity prices rebound from their lows in January 2016 and strengthening of Asian currencies versus the US Dollar. However, by the end of April 2016, the rally began petering out.

After a strong 'risk-on' rally in February 2016 and March 2016, Asian markets petered out by end-April 2016. The market was concerned with Bank of Japan's (BOJ) ability to stimulate the economy and the sustainability of China's economic rebound in the face of a spiralling debt burden. Markets were also weighed down by stronger than expected economic numbers from the United States (US). This lasted until end-June 2016 when the United Kingdom (UK) voted to leave the European Union (EU).

Asian markets rallied strongly over the next 2 months as Brexit (British Exit), referring to the UK's decision in the 23 June 2016 referendum to leave the European Union (EU) triggered strong fund flows into both equity and fixed income markets. In August 2016, Equity markets in Asia continued to be supported by central bank easing. Real rates remain generally positive across the region, with inflation continuing to ease across most countries. Meantime, earnings revision seemed to be stabilising with some selective upgrades.

However, Asian Equities had a volatile month and almost hit the year's high in the first week of October before closing slightly down by -1% in US\$ terms. The rally fizzled out and declined by October 2016 on the back of falling oil price, China's restrictions on residential property transactions, rising US bond yields and the strength of the USD.

China's foreign reserves resumed its downward trend to USD3.12tr in October, a reduction of USD45bn from September after stabilizing for most parts of the year. The Chinese Yuan depreciated by 1.6% during the month, contributing to the overall decline of 5.7% year-to-date.

Asian Equities closed the year 2016 up 4.5% in US\$ terms. The best performing sectors were Materials (+27%), Energy (+15%) and Tech (+15%). Almost all other sectors were down (save Financials +3%) which showed how narrow markets were.

► 15 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

Investment Strategy Review of the CIMB Islamic Asia Pacific Equity, the Target Fund of the HSBC Amanah Takaful's Islamic Asia Pacific Equity (1 January 2016 to 31 December 2016)

During the year under review, HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund registered a return of 0.66%, compared with its benchmark of 2.89%.

Heading into 2017, the Target Fund expects equity markets in Asia to be supported by global central banks' proactive and aggressive policies to limit financial risks, bottoming of inflation and price stability for the commodity complex, and a rebound in earnings growth. Organization of the Petroleum Exporting Countries (OPEC)'s surprise agreement to curb production could signal a bottoming in the energy industry. Asia's corporate earnings are set for 11% year on year growth in 2017, which is a substantial recovery from the negative growth of the past two years.

The Target Fund remains buyers of the markets, especially on dips, and intend to be fully invested in 2017. In terms of portfolio construction, the Target Fund adopts a sector-neutral approach, with focus on stock-selection as the primary driver of alpha. Special focus is on stock ideas related to e-commerce, sharing economies, energy and basic materials.

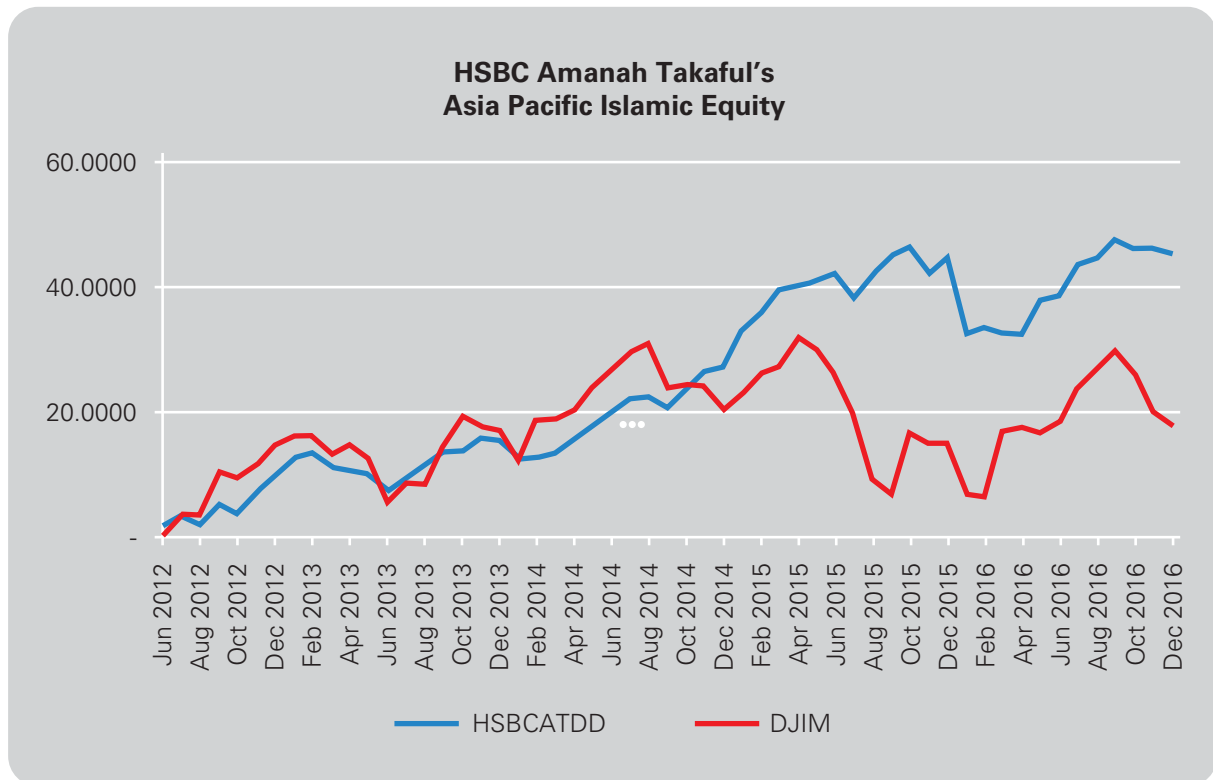
For country exposure, the Target Fund likes Indonesia for the success of its Amnesty Program, which would provide excess liquidity for both its financial sector and its fiscal programs. The Target Fund also favour China as growth stabilises in the near term even as see spotted success in the country's industrial transformation to the new economy. India remains a long term buy. The Target Fund is cautious on Thailand and Philippines due to political considerations.

Asset Allocation of Target Fund – CIMB Islamic Asia Pacific Equity Fund (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Markets Instrument/Cash	9.17%
Shariah-Compliant Equities (Foreign)	90.83%

► 16 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. With effect from 2 February 2016, HSBC Amanah Takaful (Malaysia) Berhad (HAT) will be the fund manager of HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund, replacing CIMB Principal Asset Management Berhad. This will allow HAT to manage the fund internally and invest directly into the target fund i.e. CIMB Islamic Asia Pacific Equity Fund.

There is no impact to the existing investment-linked takaful plan as the coverage remains uninterrupted with the same options and features. The fund management fee remains the same. All expenses associated with this transition were borne by HSBC Amanah Takaful (Malaysia) Berhad (HAT).

2. No income distribution proposed and/or made during the year.

► 17 HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund (continued)

Performance Table

HSBC Amanah Takaful's Asia Pacific Islamic Equity	2016	2015	2014	2013	2012*
Total NAV (MYR'000)	46,948	38,812	15,146	10,265	2,990
Units in Circulation	32,408	26,922	11,946	8,874	2,723
NAV per Unit (MYR)	1.449	1.442	1.268	1.157	1.098
Highest NAV per unit (MYR)	1.489	1.472	1.280	1.160	1.059
Lowest NAV per unit (MYR)	1.290	1.269	1.101	1.014	0.986
Annual Return	0.66%	13.55%	9.69%	6.43%	13.05%

Cumulative Total Returns	6 Months	1 Year	3 Years	Since Inception
HSBC Amanah Takaful's Asia Pacific Islamic	4.85%	0.66%	25.38%	45.61%
Benchmark (Dow Jones Islamic Market Asia/ Pacific ex Japan Index)	-0.26%	2.89%	1.01%	18.33%

* The Fund was launched on 31 May 2012. The investment return of The Fund and the benchmark for year 2012 was calculated from that date.

► 18 HSBC Amanah Takaful's World Islamic Equity Fund

Investment Objective

The Fund aims to achieve capital appreciation by investing in the Aberdeen Islamic World Equity Fund ("Target Fund"), a Shariah compliant collective investment scheme that aims to achieve capital appreciation in the long term through investments in Shariah-compliant equities and equity related securities.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value.

(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review of Global Equity Market (1 January 2016 to 31 December 2016)

Global equities rose during the volatile year, which saw several major political inflection points. The UK's vote to leave the European Union (EU) triggered jitters, but risk appetite returned after a sharp adjustment to sterling's value. In contrast, investor anxiety rose ahead of a nail-biting finish to the US presidential vote, but markets rallied following Donald Trump's shock victory. Several major indices reached record highs, on speculation of greater fiscal stimulus from the president elect's administration. Central bank action also dominated headlines. Early on, markets were lifted as Japan and parts of Europe imposed negative interest rates to combat low inflation and raise spending.

Conversely, the US Federal Reserve (Fed) raised interest rates by 25 basis points in December, boosting the greenback. While this was expected, the Fed plans to hike rates at a faster pace of three times in 2017 amid expectations of improved growth prospects. Oil prices fluctuated throughout the year, but ended higher as Non-OPEC (Organization of the Petroleum Exporting Countries) members struck a deal to join the cartel in curbing output.

Although the global economy appears to be in good shape, beneath the veneer of optimism lurks anxiety over an increasingly toxic political climate and uncertainty surrounding Trump's presidency. Already, the "Trump rally" has lost momentum, and investors are skeptical as to how much of his pro-growth agenda will come to fruition. Volatility has risen, with markets caught in a tug of war between expectations of reflationary policies and the risk of the economy stalling on the back of a strong dollar and rising interest rates.

In addition, with Brexit (British Exit), referring to the UK's decision in the 23 June 2016 referendum to leave the European Union (EU) and elections across Europe looming in the near-term, the nervousness is palpable. Although valuations remain stretched, as bottom-up stock-pickers, continue to pursue attractively priced investments in companies that can weather the storms and display resilience to perform well in the long term.

► 19 HSBC Amanah Takaful's World Islamic Equity Fund (continued)

Investment Strategy Review of the Aberdeen Islamic World Equity Fund, the Target Fund of the HSBC Amanah Takaful's World Islamic Equity Fund (1 January 2016 to 31 December 2016)

During the year under review, HSBC Amanah Takaful's World Islamic Equity Fund registered a return of 16.21%, compared with its benchmark of 23.74%.

The underperformance was largely a result of negative asset allocation and currency effects. The Target Fund underweight to the US was a significant detractor from performance, as markets reached record highs after President Trump was elected. The greenback also rallied, after the Fed hiked rates. The overweight to Hong Kong cost the Target Fund, as it suffered spill-over effects from China, where markets sold off on concerns over high leverage in the banking sector and continued capital outflows, compelling the regulator to impose stricter rules on foreign currency purchases. Conversely, the Target Fund overweight to Brazil boosted performance. The confidence in its economy climbed after suspended president Dilma Rousseff was replaced by pro-business vice president Michel Temer.

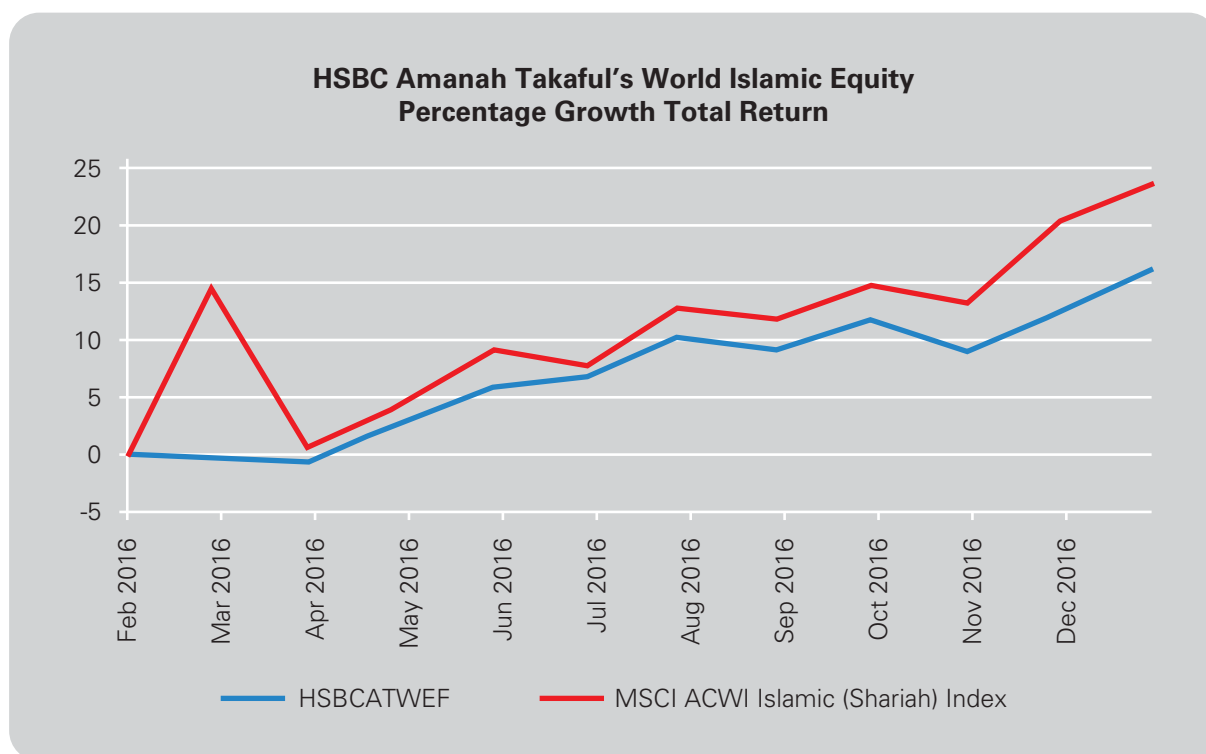
As bottom-up stock pickers, the Target Fund's asset allocation is a default and the sum of the individual companies, rather than being driven by top-down allocation. The Target Fund is looking to manage portfolios that are concentrated, but also have deep layers of diversification. As such, the top down views from a geographical and sector perspective do not provide a true visibility of the diversification of the portfolio.

Asset Allocation of Target Fund – Aberdeen Islamic World Equity Fund (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Markets Instrument/Cash	2.50%
Shariah-Compliant Equities	97.50%

► 20 HSBC Amanah Takaful's World Islamic Equity Fund (continued)

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. No income distribution proposed and/or made during the year.

Performance Table

HSBC Amanah Takaful's World Islamic Equity	2016*
Total NAV (MYR'000)	17,636
Units in Circulation	15,203
NAV per Unit (MYR)	1.160
Highest NAV per unit (MYR)	1.162
Lowest NAV per unit (MYR)	0.978
Annual Return	16.21%

Cumulative Total Returns	6 Months	Since Inception
HSBC Amanah Takaful's Asia Pacific Islamic	8.66%	16.21%
Benchmark (MSCI ACWI Islamic (Shariah) Index)	14.75%	23.74%

* The Fund was launched on 2 February 2016. The investment return of The Fund and the benchmark for year 2016 was calculated from that date.

►21 HSBC Amanah Takaful's Islamic Sukuk Fund

Investment Objective

The Fund aims to achieve capital appreciation in medium to long term by investing in the CIMB Islamic Sukuk ("Target Fund"), a Shariah compliant collective investment scheme that aims to gain higher than average income over the medium to long term by investing in a diversified portfolio consisting principally of Sukuk, certificates of deposit, short term money market instruments and other permissible investment under Shariah principles.

Fees and Charges

Fund Management Fees – 1.50% per annum of the Fund's value.
(This is the fee charged for the ongoing portfolio management.)

These fees are calculated based on the Fund's value. It is accrued on a daily basis when determining the unit price of the Fund.

No soft dollar commission or arrangement is applied to the management on this Fund.

Annual Review of Fixed Income Market (1 January 2016 to 31 December 2016)

The first few months of 2016 saw the Malaysian Government Securities (MGS) rallied along with the Government Investment Issue (GII) as investors took up positions after staying side lined at the end of 2015. Demand for sovereign issues was strong as onshore real money extended out the curve to search for relative yield pickup after Bank Negara Malaysia (BNM) cut the Statutory Reserve Requirement (SRR) ratio in February 2016 and as the Malaysian Government assured that fiscal consolidation remained on track in meeting the budget deficit of 3.1% in 2016. Dovish Federal Open Market Committee (FOMC) stance and the easing done by global central banks such as the European Central Bank (ECB) and Bank of Japan (BOJ) due to the prospect of slow global growth also resulted in strong foreign flows into the Malaysian market.

The market turned slightly cautious in April 2016 and May 2016 as investors took some profit after hawkish FOMC minutes coupled with uncertainty of "Brexit" (British Exit), referring to the UK's decision in the 23 June 2016 referendum to leave the European Union (EU). However, sovereign market rallied towards the end of June 2016 and July 2016 due to strong buying interest from foreign investors. Furthermore, yields were pushed lower after BNM cut the Overnight Policy Rate (OPR) in July 2016 and as investors continued to anticipate prospects of further monetary stimulus to be injected by Bank of England, BOJ and ECB. BNM cut its OPR for the first time in 7 years by 25 bps to 3.0% at its bi-monthly Monetary Policy Committee (MPC) meeting.

The GII yield curve saw mixed movement in September with the short end of the curve moved higher while the long end moved lower. During the month, trading volume for GII reduced from RM27 billion to RM19 billion in September while the trading volume in corporate sukuk increased from RM13.6 billion to RM14.2 billion in September with focus mainly on quasi-sovereign, AAA and AA rated sukuk. In October, the government securities selling off across the curve, indicated that the prospect of the US Federal Reserve hiking rates and the path of the Fed Funds Rate remained as driving factors in the movement of both the ringgit and the government securities.

USD strength post US election saw USDMYR reaching 4.4662 at the end of November due to the republican party winning not only the Presidential Election but also the congress and senate which sparked the reflation trade that priced in an increased probability that the Fed will hike rates at a faster pace than what was previously expected. Similarly, the GII also sold off during the month. Yields were higher by 24-75bps across the curve. Meanwhile, the trading volume in corporate sukuk reduced from RM11.1 billion to RM7.11 billion in November with focus mainly on quasi-sovereign and AA rated sukuk.

► 22 HSBC Amanah Takaful's Islamic Sukuk Fund (continued)

Investment Strategy Review of the CIMB Islamic Sukuk Fund, the Target Fund of the HSBC Amanah Takaful's Islamic Sukuk Fund (1 January 2016 to 31 December 2016)

During the year under review, HSBC Amanah Takaful's Islamic Sukuk Fund registered a return of 7.42%, compared with its benchmark of 2.72%.

The Federal Reserve turns more hawkish with the revised dot-plot chart indicating 3 rate hikes in 2017, up from 2 indicated earlier. The Target Fund sees continued risk and volatility to come from uncertainties with regards to political developments in the Eurozone, the tightening by the US Federal Reserve and future US policies under Donald Trump.

Also, the capital flow volatility is here to stay in 2017 as the US yield curve is being re-priced steeper. Higher US rates will exert downward pressure on Asia FX vs. USD, but countries with better current account and low foreign bond ownership will have lower sensitivity.

In view of this, the Target Fund remain trading stance on the government securities as valuations remain supportive. However, the threat of further selloff due to foreign holders trimming their positions in government securities may prove to be a hurdle to any rallies in govies.

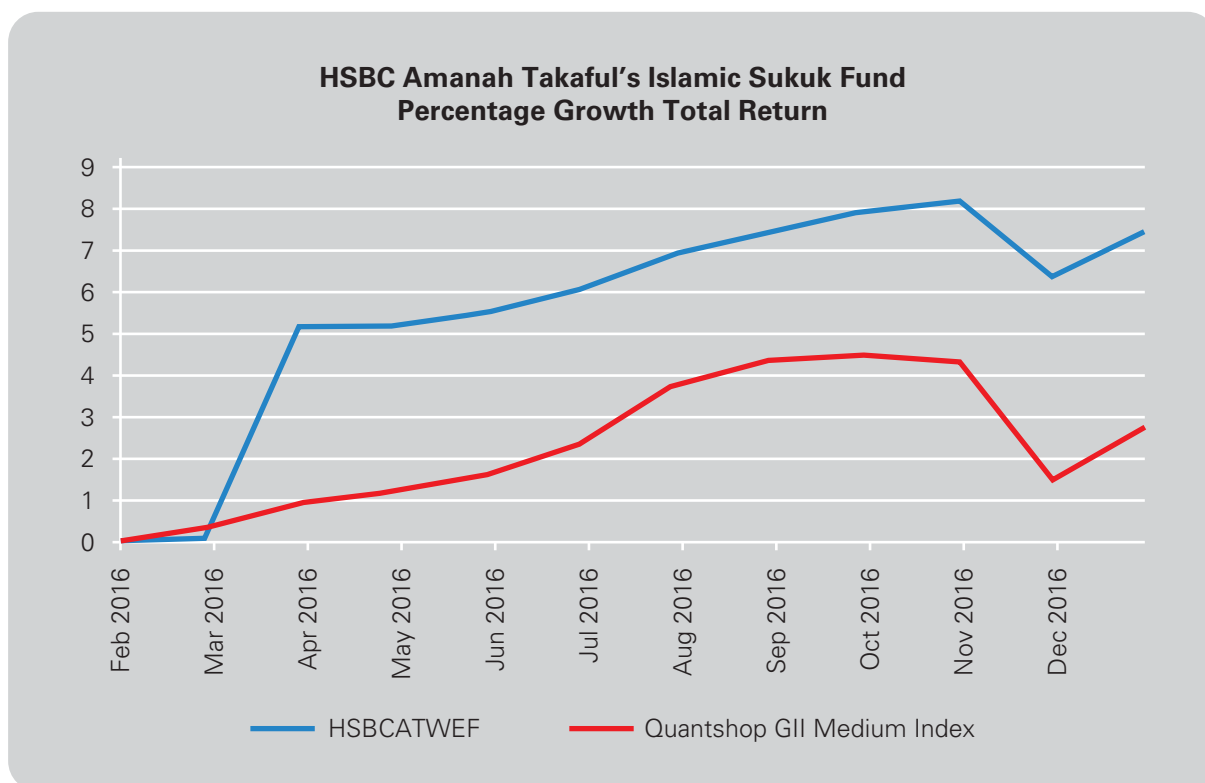
In the credit segment, the Target Fund overweight on corporate sukuk with preference on primary issuances for yield picks up. The Target Fund continues to remain selective as downgrades and defaults on credit market may be increasing in 2017 in view of potential slower domestic growth.

Asset Allocation of Target Fund – CIMB Islamic Asia Pacific Equity Fund (as at 31 December 2016)

Asset Category	Asset Allocation (% of NAV)
Islamic Money Markets Instrument/Cash	16.23%
Unquoted Sukuk	83.77%

► 23 HSBC Amanah Takaful's Islamic Sukuk Fund (continued)

Performance Graph – Cumulative Return Over The Period (%) (Since Inception Returns vs Benchmark)



Additional Information

1. There are no changes in the investment objectives, strategies, restrictions and limitations to the Fund during the year.
2. No income distribution proposed and/or made during the year.

Performance Table

HSBC Amanah Takaful's Islamic Sukuk

	2016*
Total NAV (MYR'000)	9,107
Units in Circulation	8,404
NAV per Unit (MYR)	1.084
Highest NAV per unit (MYR)	1.084
Lowest NAV per unit (MYR)	1.000
Annual Return	7.42%

Cumulative Total Returns	6 Months	Since Inception
HSBC Amanah Takaful Dana Dividen	1.29%	7.42%
Benchmark (Quantshop GII Medium Index)	0.37%	2.72%

* The Fund was launched on 2 February 2016. The investment return of The Fund and the benchmark for year 2016 was calculated from that date.

Financial Statements

For the year ended 31 December 2016

► 25 Manager's Report

The Manager has pleasure in submitting its report and the audited financial statements of the Investment-Linked Plans (hereinafter collectively referred to as "the Funds") for the year ended 31 December 2016.

Investment policy

The objective of the Funds is to provide participants with prospects for long term capital growth by investing in portfolio of Shariah compliant equities and other assets/investments.

Results

Excess of income over expenditure
(Expenditure over income) before taxation

MYR'000

- Rising Phoenix Portfolio	-
- Flying Dragon Portfolio	-
- HSBC Amanah LifeSelect Fixed Income Fund	3,921
- HSBC Amanah LifeSelect Equity Fund	(5,192)
- Takaful Dana Dividend Fund	662
- Asia Pacific Equity Fund	604
- World Islamic Equity Fund	1,381
- Islamic Sukuk Fund	73

Directors of the Manager

Directors who served since the date of the last report are:-

Kasim bin Zakaria

Datuk Haron bin Siraj

Sazaliza bin Zainuddin (resigned on 22 February 2017)

Lim Eng Seong

Ian Keith Moore

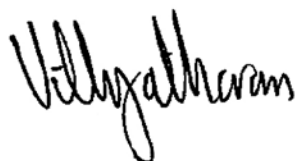
K. Vithyatharan A/L V Karunakaran

Saiful Yazan Ahmad (appointed on 16 March and resigned on 19 October 2016)

Nor Azian binti Mohd Noor (appointed on 22 February 2017)

For and on behalf of the Manager,

HSBC Amanah Takaful (Malaysia) Berhad



K. Vithyatharan A/L V Karunakaran

Director

Kuala Lumpur

Date: 22 March 2017

▶ 26 Statement of Assets and Liabilities

As at 31 December 2016

		Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	Note	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2016									
Investments									
Collective investments scheme	3	—	—	112,356	154,956	22,817	47,420	17,521	8,690
Cash and cash equivalents									
Cash and bank balances		—	—	577	(289)	(179)	(1,159)	(1,580)	(1,364)
Deferred tax assets		—	—	—	2,464	30	—	—	—
Other assets		—	—	—	1,278	281	1,248	1,806	1,783
Total assets		—	—	112,933	158,409	22,949	47,509	17,747	9,109
Provision for taxation		—	—	232	1,108	36	118	—	—
Deferred tax liabilities		—	—	136	—	—	443	111	2
Other liabilities		—	—	635	—	—	—	—	—
Total liabilities		—	—	1,003	1,108	36	561	111	2
Net Assets Value of the Fund		—	—	111,930	157,301	22,913	46,948	17,636	9,107
Represented by:									
Participants' Funds		—	—	96,473	144,538	21,433	41,983	16,366	9,036
Generated income carried forward		—	—	15,457	12,763	1,480	4,965	1,270	71
		—	—	111,930	157,301	22,913	46,948	17,636	9,107
Number of units		—	—	89,162	97,580	19,652	32,408	15,203	8,404
Net Asset Value Per Unit (MYR)		—	—	1.26	1.61	1.17	1.45	1.16	1.08
2015									
Investments									
Collective investments scheme	3	—	—	114,750	164,574	21,928	38,905	—	—
Cash and cash equivalents									
Cash and bank balances		109	787	1,001	(1,564)	(813)	1,708	—	—
Deferred tax assets		—	—	—	1,081	93	—	—	—
Other assets		—	—	97	2,700	925	59	—	—
Total assets		109	787	115,848	166,791	22,133	40,672	—	—
Provision for taxation		90	143	232	1,038	44	91	—	—
Deferred tax liabilities		—	—	148	—	—	422	—	—
Other liabilities		—	—	1,341	—	—	1,347	—	—
Total liabilities		90	143	1,721	1,038	44	1,860	—	—
Net Assets Value of the Fund		19	644	114,127	165,753	22,089	38,812	—	—
Represented by:									
Participants' Funds		(856)	(807)	102,603	149,111	21,215	34,403	—	—
Generated (loss)/income carried forward		875	1,451	11,524	16,642	874	4,409	—	—
		19	644	114,127	165,753	22,089	38,812	—	—
Number of units		—	—	94,339	100,391	19,405	26,922	—	—
Net Asset Value Per Unit (MYR)		—	—	1.21	1.65	1.14	1.44	—	—

► 27 Statement of Income and Expenditure

For the year ended 31 December 2016

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2016								
Investment income								
Income distribution	—	—	4,095	12,659	—	—	—	46
Unrealised capital gain on investments	—	—	—	—	786	258	1,342	32
Net gain on disposal of investments	—	—	902	—	—	355	44	—
Total income	—	—	4,997	12,659	786	613	1,386	78
Unrealised capital loss on investment	—	—	(1,041)	(2,207)	—	—	—	—
Net loss on disposal of investments	—	—	—	(15,566)	(116)	—	—	—
Other outgo	—	—	(35)	(78)	(8)	(9)	(5)	(5)
Total outgo	—	—	(1,076)	(17,851)	(124)	(9)	(5)	(5)
Income/(Loss) before taxation	—	—	3,921	(5,192)	662	604	1,381	73
Taxation	—	—	12	1,313	(56)	(48)	(111)	(2)
Income after taxation	—	—	3,933	(3,879)	606	556	1,270	71
Generated (loss)/income brought forward	875	1,451	11,524	16,642	874	4,409	—	—
Transfer to Participants' Fund	(875)	(1,451)	—	—	—	—	—	—
Generated income carried forward	—	—	15,457	12,763	1,480	4,965	1,270	71
2015								
Investment income								
Income distribution	—	—	3,641	8,466	454	—	—	—
Unrealised capital gain on investments	—	—	—	—	49	3,094	—	—
Net gain on disposal of investments	—	1,761	181	—	—	207	—	—
Total income	—	1,761	3,822	8,466	503	3,301	—	—
Unrealised capital loss on investment	—	(804)	(522)	(7,557)	(64)	—	—	—
Other outgo	—	—	(173)	(290)	(22)	(407)	—	—
Total outgo	—	(804)	(695)	(7,847)	(86)	(407)	—	—
Income/(Loss) before taxation	—	957	3,127	619	417	2,894	—	—
Taxation	—	(77)	27	507	(15)	(325)	—	—
Income after taxation	—	880	3,154	1,126	402	2,569	—	—
Generated (loss)/income brought forward	875	571	8,370	15,516	472	1,840	—	—
Generated income carried forward	875	1,451	11,524	16,642	874	4,409	—	—

The accompanying notes on pages 31 to 35 form part of these financial statements.

► 28 Statement of Changes in Net Asset Value

For the year ended 31 December 2016

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2016								
Net Asset Value of the Fund at beginning of financial year	19	644	114,127	165,753	22,089	38,812	—	—
Net creation of units	—	—	8,462	17,164	2,104	13,439	17,142	9,320
Net cancellation of units	—	—	(14,592)	(21,737)	(1,886)	(5,859)	(776)	(284)
Other outgo	(19)	(644)	—	—	—	—	—	—
Maturity	—	—	—	—	—	—	—	—
Income/(Loss) for the year	—	—	3,933	(3,879)	606	556	1,270	71
Net Asset Value of the Fund at end of financial year	—	—	111,930	157,301	22,913	46,948	17,636	9,107
2015								
Net Asset Value of the Fund at beginning of financial year	19	17,015	118,297	156,079	16,349	15,146	—	—
Net creation of units	—	—	9,034	31,602	7,145	23,475	—	—
Net cancellation of units	—	—	(16,358)	(23,054)	(1,807)	(2,378)	—	—
Maturity	—	(17,251)	—	—	—	—	—	—
Income/(Loss) for the year	—	880	3,154	1,126	402	2,569	—	—
Net Asset Value of the Fund at end of financial year	19	644	114,127	165,753	22,089	38,812	—	—

► 29 Statement of Cash Flows

For the year ended 31 December 2016

	Rising Phoenix Portfolio	Flying Dragon Portfolio	LifeSelect Fixed Income Fund	LifeSelect Equity Fund	Takaful Dana Dividend	Asia Pacific Equity	World Islamic Equity	Islamic Sukuk
	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000	MYR'000
2016								
Cash flows from operating activities								
Income/(Loss) before taxation	—	—	3,921	(5,192)	662	604	1,381	73
Adjustment for:								
Income distribution	—	—	(4,095)	(12,659)	—	—	—	(46)
Net gain on disposal of investments	—	—	(902)	15,566	116	(355)	(44)	—
Unrealised capital (gain)/loss on investments	—	—	1,041	2,207	(786)	(258)	(1,342)	(32)
Loss from operations before changes in operating assets and liabilities	—	—	(35)	(78)	(8)	(9)	(5)	(5)
Proceeds from disposal of investments	—	—	64,445	91,005	2,145	3,963	1,125	188
Purchase of investments	—	—	(62,190)	(99,160)	(2,365)	(11,865)	(17,260)	(8,846)
Decrease/(Increase) in other assets	—	—	97	1,422	644	(1,189)	(1,806)	(1,783)
(Decrease)/Increase in other liabilities	(109)	(787)	(706)	—	—	(1,347)	—	—
Cash generated from/(used in) operations	(109)	(787)	1,611	(6,811)	416	(10,447)	(17,946)	(10,446)
Income distribution	—	—	4,095	12,659	—	—	—	46
Net cash generated from/(used in) operating activities	(109)	(787)	5,706	5,848	416	(10,447)	(17,946)	(10,400)
Cash flows from financing activities								
Proceeds from creations of units	—	—	8,462	17,164	2,104	13,439	17,142	9,320
Payment for cancellation of units	—	—	(14,592)	(21,737)	(1,886)	(5,859)	(776)	(284)
Payment for maturity of units	—	—	—	—	—	—	—	—
Net cash (used in)/generated from financing activities	—	—	(6,130)	(4,573)	218	7,580	16,366	9,036
Net increase/(decrease) in cash and cash equivalents	(109)	(787)	(424)	1,275	634	(2,867)	(1,580)	(1,364)
Cash and cash equivalents at 1 January	109	787	1,001	(1,564)	(813)	1,708	—	—
Cash and cash equivalents at 31 December	—	—	577	(289)	(179)	(1,159)	(1,580)	(1,364)
Cash and cash equivalents comprise:								
Cash and bank balances	—	—	577	(289)	(179)	(1,159)	(1,580)	(1,364)

The accompanying notes on pages 31 to 35 form part of these financial statements.

► 30 **Statement of Cash Flows** (continued)
For the year ended 31 December 2016

	Rising Phoenix Portfolio MYR'000	Flying Dragon Portfolio MYR'000	LifeSelect Fixed Income Fund MYR'000	LifeSelect Equity Fund MYR'000	Takaful Dana Dividend MYR'000	Asia Pacific Equity MYR'000	World Islamic Equity MYR'000	Islamic Sukuk MYR'000
2015								
Cash flows from operating activities								
Income/(Loss) before taxation	—	958	3,126	619	417	2,894	—	—
Adjustment for:								
Income distribution	—	—	(3,641)	(8,466)	(454)	—	—	—
Net gain on disposal of investments	—	(1,761)	(181)	—	—	(207)	—	—
Unrealised capital (gain)/loss on investments	—	—	522	6,543	(49)	(3,094)	—	—
Loss from operations before changes in operating assets and liabilities	—	(803)	(174)	(1,304)	(86)	(407)	—	—
Proceeds from disposal of investments	—	18,146	13,887	12,573	1,232	1,303	—	—
Purchase of investments	—	—	(10,132)	(28,376)	(6,949)	(21,609)	—	—
Decrease/(Increase) in other assets	—	—	780	(2,111)	(811)	58	—	—
(Decrease)/Increase in other liabilities	(81)	(150)	—	1	—	1,256	—	—
Cash generated from/(used in) operations	(81)	17,193	4,361	(19,217)	(6,614)	(19,399)	—	—
Income distribution	—	—	3,641	8,466	454	—	—	—
Net cash generated from/(used in) operating activities	(81)	17,193	8,002	(10,751)	(6,160)	(19,399)	—	—
Cash flows from financing activities								
Proceeds from creations of units	—	—	9,035	31,602	7,145	23,475	—	—
Payment for cancellation of units	—	—	(16,358)	(23,054)	(1,807)	(2,378)	—	—
Payment for maturity of units	—	(17,251)	—	—	—	—	—	—
Net cash (used in)/generated from financing activities	—	(17,251)	(7,323)	8,548	5,338	21,097	—	—
Net increase/(decrease) in cash and cash equivalents	(81)	(58)	679	(2,203)	(822)	1,698	—	—
Cash and cash equivalents at 1 January	190	845	322	639	9	10	—	—
Cash and cash equivalents at 31 December	109	787	1,001	(1,564)	(813)	1,708	—	—
Cash and cash equivalents comprise:								
Cash and bank balances	109	787	1,001	(1,564)	(813)	1,708	—	—

The accompanying notes on pages 31 to 35 form part of these financial statements.

►31 Notes to the Financial Statements

Information on the Funds

The Manager, HSBC Amanah Takaful (Malaysia) Berhad, is a public limited liability company, incorporated and domiciled in Malaysia. The principal activities of the Manager consist of the managing of family takaful and general takaful businesses. The family takaful business includes management of investment-linked funds.

The address of its principal place of business and registered office are as follows:

Principal place of business	Registered office
8 th – 9 th Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia	10 th Floor, North Tower No. 2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia

The investment objective of the Funds are as follows:

- a. HSBC Amanah LifeSelect Fixed Income Fund aims to achieve capital growth in the medium to long term by investing in a diversified portfolio of Shariah compliant collective investment schemes that invest primarily in Sukuk and any other permissible liquid assets under the Shariah principles.
- b. HSBC Amanah LifeSelect Equity Fund aims to achieve capital growth in the medium to long term by investing in Shariah compliant collective investment schemes which invest in Shariah compliant equities, equity related securities.
- c. HSBC Amanah Takaful's Dana Dividend Fund seeks to achieve appreciation in medium to long term by investing in Shariah compliant collective investment scheme that invest primarily in a portfolio of Shariah compliant Malaysia and foreign equity securities that have the track record of paying or have the potential to pay consistent and attractive dividends.
- d. HSBC Amanah Takaful's Asia Pacific Islamic Equity Fund seeks to achieve long term capital appreciation by investing in a Shariah compliant collective investment scheme that invests in the emerging and developed markets of Asia Pacific excluding Japan.
- e. HSBC Amanah Takaful's World Islamic Equity Fund aims to achieve appreciation by investing in a Shariah compliant collective investment scheme that aims to achieve capital appreciation in the long term through investments in Shariah-compliant equities and equity related securities.
- f. HSBC Amanah Takaful's Islamic Sukuk Fund aims to achieve capital appreciation in medium to long term by investing in a Shariah compliant collective investment scheme that aims to gain higher than average income over the medium to long term by investing in a diversified portfolio consisting principally of Sukuk, certificates of deposit, short term money market instruments and other permissible investment under Shariah principles.
- g. 'Rising Phoenix' is a 5-year Malaysian Ringgit Denominated Structured Investment linked to a Basket of Shares. The Rising Phoenix Basket comprises Shariah compliant shares that offer access mainly to China equity markets. This fund has matured on 20th November 2014.
- h. 'Flying Dragon' is a 5-year Malaysian Ringgit Denominated Structured Investment linked to Dow Jones Islamic Market China/Hong Kong Titans 30 Total Return Index. This fund has matured on 5 June 2015.

The immediate holding company of the Manager is HSBC Insurance (Asia Pacific) Holdings Ltd., a company incorporated in Hong Kong. The ultimate holding company is HSBC Holdings Plc, a company incorporated in the United Kingdom.

The financial statements of the Funds were approved by the Board of Directors of the Manager on 22 March 2017.

1. Basis of preparation

a. Basis of accounting

The financial statements of the Funds have been prepared in accordance with the accounting policies as set out in Note 2 and Bank Negara Malaysia's Guidelines on Investment-Linked Takaful Business. The accounting policies in Note 2 is an abridged version and should be read with the Audited Financial Statements of the manager, HSBC Amanah Takaful (Malaysia) Berhad, for the year ended 31 December 2016. These financial statements are only for information purpose to the participant of the Funds in accordance to Bank Negara Malaysia's Guidelines.

b. Basis of measurement

The financial statements of the Funds have been prepared on the historical cost basis modified by the revaluation of investments as stated in Note 2(a).

c. Functional and presentation currency

The financial statements of the Funds are presented in Ringgit Malaysia ("RM"), which is the Fund's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

d. Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

There is no significant area of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(a).

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

a. Investments

All purchases of unit trusts (collective investment schemes) are recognised on their trade dates, i.e. the date the commitment exists to purchase the investments. The investments are initially recorded at cost, being fair value of the consideration given.

The attributable transaction costs are recognised in the statement of income and expenditure when incurred. The fair value is determined by using open market valuation at the year-end date.

Any increase or decrease in the value of the investments at each reporting date is recognised in the statement of income and expenditure.

b. Net Creation of Units

Net creation of units represents contributions paid by participants as payment for a new certificate and net of cancellation from inception. Net creation of units is recognised on a received basis.

2. Significant accounting policies (continued)

c. Net Cancellation of Units

Net cancellation of units represents cancellation of units arising from surrenders and withdrawals by participants. Net cancellation of units is recognised upon surrendering of the related takaful certificates.

d. Income Recognition

Income distribution is recognised when the right to receive payment is established.

Profit from deposits with licensed financial institutions is recognised on an accrual basis.

Gain or loss on disposal of investments is credited or charged to the statement of income and expenditure when they arise.

e. Income Tax Expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in statement of income and expenditure.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, including deposits with licensed financial institutions, that are readily convertible to known amounts of cash and which are not subject to a significant risk of changes in value.

3. Collective investment scheme (Fair Value)

	2016 MYR'000	2015 MYR'000
LifeSelect Fixed Income Fund		
At Cost	111,553	112,906
Unrealised capital gain	803	1,844
At indicative market value	112,356	114,750
LifeSelect Equity Fund		
At Cost	170,680	178,091
Unrealised capital (loss)/gain	(15,724)	(13,517)
At indicative market value	154,956	164,574
Takaful Dana Dividend		
At Cost	23,194	23,091
Unrealised capital (loss)/gain	(377)	(1,163)
At indicative market value	22,817	21,928
Asia Pacific Equity Fund		
At Cost	41,882	33,626
Unrealised capital gain	5,538	5,279
At indicative market value	47,420	38,905
World Islamic Equity Fund		
At Cost	16,179	—
Unrealised capital gain	1,342	—
At indicative market value	17,521	—
Islamic Sukuk		
At Cost	8,658	—
Unrealised capital gain	32	—
At indicative market value	8,690	—

4. Financial instruments

The Funds are exposed to foreign currency, market, credit, liquidity and profit rate risks.

Market risk

Market risk arises when the value of the investments fluctuates in response to the activities of the individual companies, general market or economic conditions. The Manager manages the risk by continuous monitoring of the performance and risk profile of the investment portfolio.

Credit risk

Credit risk refers to the ability of a counterparty to make timely payments of income distribution, principle amounts and proceeds from realisation of investments. The Manager manages the credit risk by undertaking credit evaluation to minimise such risk.

For proceeds from injection or subscription and redemption of collective investment schemes, the settlement terms are set out in the applicable operating memorandum agreement signed between HSBC Amanah Takaful (Malaysia) Berhad and the respective external fund managers.

Liquidity risk

Liquidity risk is the risk that the Investment-Linked Fund may encounter in meeting its financial obligations. The Manager manages this risk by maintaining sufficient level of liquidity to meet anticipated payment and redemption of units by participants.

Profit rate risk

Profit rate risk is the risk that the value of the Investment-Linked Funds will fluctuate because of changes in market profit rates. Profit rates moves in the opposite direction of Sukuk prices. When the profit rate rises, Sukuk prices fall and vice versa. The profit rate risk is monitored through periodic reviews of its assets and liabilities positions with the objective to limit the net changes in the value of assets and liabilities arising from profit rate movements.

Fair values

The fair values of investments have been disclosed in Note 3. The basis of deriving the fair values is disclosed in Note 2(a).

▶ 36 Statement by Manager

I, K. Vithyatharan A/L V Karunakaran, Director of HSBC Amanah Takaful (Malaysia) Berhad state that, in the opinion of the Manager, the financial statements as of 31 December 2016 and for the year then ended set out on pages 26 to 35, are prepared in all material respects, in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

For and on behalf of the Manager,
HSBC Amanah Takaful (Malaysia) Berhad



K. Vithyatharan A/L V Karunakaran
Director

Kuala Lumpur
Date: 22 March 2017

► 37 Independent Auditors' Report

To the participants of HSBC Amanah Takaful Investment-Linked Plans ("the Funds")

Report on the Financial Statements

We have audited the financial statements of the Funds, which comprise the statements of assets and liabilities as at 31 December 2016, and the statements of income and expenditure, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 26 to 35.

Directors' Responsibility for the Financial Statements

The Directors of the Manager are responsible for the preparation of these financial statements in accordance with the accounting policies set out in Note 2 to the financial statements and Guidelines on Investment-Linked Insurance/Takaful Business, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements as of 31 December 2016 and for the year then ended have been prepared, in all material respects in accordance with accounting policies set out in Note 2 and Guidelines on Investment-Linked Insurance/Takaful Business.

Other Matter(s)

This report is made solely to the participants of the Funds, as a body, in accordance with the Guidelines on Investment-Linked Insurance/Takaful Business issued by Bank Negara Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



PRICEWATERHOUSECOOPERS

Firm Number: AF 1146

Chartered Accountants

Kuala Lumpur, Wilayah Persekutuan

Date: 22 March 2017

